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10 IN THE UNITED STATES DISTRICT COURT
11 FOR THE WESTERN DISTRICT OF WASHINGTON
12 AT SEATTLE

13 MICROSOFT CORPORATION,

14 Plaintiff,
15 v.
16 MOTOROLA INC., et al.,
17 Defendant.

No. C10-1823-JLR

REDACTED

MICROSOFT'S MOTIONS IN LIMINE

Noted: October 19, 2012

ORAL ARGUMENT REQUESTED

18 MOTOROLA MOBILITY, LLC., et al.,

19 Plaintiffs,
20 v.
MICROSOFT CORPORATION.

Defendant.

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26 MICROSOFT'S MOTIONS IN LIMINE

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1 Plaintiff Microsoft Corporation (“Microsoft”) respectfully makes the following six
 2 motions *in limine*.

3 **MIL No. 1: Exclude Evidence Concerning Matters as to which Motorola or its
 4 Corporate Parent, Google Inc., Claimed Privilege During Discovery.**

5 Microsoft moves *in limine* to bar the Motorola Defendants (collectively, “Motorola”)
 6 from presenting evidence on the subjects over which it or its corporate parent, Google Inc.
 7 (“Google”), claimed privilege during the depositions in this matter, including: (1) Motorola’s
 8 reasons for not participating in certain pools, including the MPEG LA H.264 pool; (2) any
 9 factual bases for asserting that Microsoft is not entitled to a license to Motorola’s H.264
 10 standard essential patents as required pursuant to the Google License; and (3) any factual bases
 11 for asserting that Motorola’s H.264 standard essential patents are worth more than the royalty
 12 that is presumed reasonable in the Google License.

13 During discovery, Motorola claimed privilege to block inquiry into Motorola’s reasons
 14 for not participating in certain standards-related patent pools, including the H.264 patent pool
 15 managed by MPEG LA. For example, Kirk Dailey, Motorola Mobility’s Corporate Vice
 16 President of Intellectual Property, was asked to explain why Motorola chose not to join the
 17 MPEG LA’s H.264 pool as either a licensee or a licensor, but refused to answer based upon
 18 Motorola’s claim of privilege. Wion Decl. Ex. 1 (Dailey Dep.) at 52:19–55:1; *see also id.* at
 19 50:13–22. Similarly, Timothy Kowalski, Lead Intellectual Property Counsel for Motorola, was
 20 asked if part of Motorola’s concern over joining the MPEG LA H.264 pool was a desire for
 21 higher royalty rates, but he refused to respond based upon Motorola’s claim of privilege. Wion
 22 Decl. Ex. 2 (Kowalski Dep.) at 90:23–92:1.

23 After blocking Microsoft’s inquiry during fact discovery, Motorola now seeks to
 24 introduce evidence of its reasons for not joining the MPEG LA H.264 pool through four of its
 25 experts, all of whom assert that [REDACTED]

[REDACTED] . Wion Decl. Ex. 3 (Schmalensee Rpt.)

1 ¶¶ 11, 78 (citing no support); Wion Decl. Ex. 4 (Donohoe Rebuttal Rpt.) ¶ 39 (citing no
 2 support); Wion Decl. Ex. 5 (Smith Rebuttal Rpt.) ¶ 52 (claiming support from the Dailey
 3 Deposition and a conversation with Kowalski); Wion Decl. Ex. 6 (Dansky Dep.) at 55:14–
 4 57:12, 155:18–156:20 (claiming support from a conversation with Dailey).

5 Motorola will also likely seek to introduce evidence at trial concerning Google’s
 6 (Motorola Mobility’s parent corporation) obligations as a licensee of MPEG LA’s H.264
 7 patent pool, despite having blocked Microsoft’s discovery of that subject matter. Google’s
 8 H.264 license with MPEG LA (the “Google License”) obliges it to [REDACTED]
 9 [REDACTED]
 10 [REDACTED]

11 [REDACTED] Wion Decl. Ex. 7 (Google-MPEG
 12 LA License) § 8.3. This obligation expressly extends to the H.264 standard essential patents
 13 owned by Google’s “affiliates,” which include Motorola Mobility.¹ On June 15, 2012, shortly
 14 after Google acquired Motorola Mobility as its wholly-owned subsidiary, Microsoft made a
 15 written request for a license to Motorola Mobility’s H.264 standard essential patents, in
 16 accordance with the provisions of the Google License. Given the importance of the Google
 17 License to the RAND issues in this case, when Google failed to respond Microsoft noticed the
 18 Rule 30(b)(6) deposition of Google to learn the key facts concerning (1) whether Google had
 19 any factual basis for trying to withhold from Microsoft the required license of Motorola
 20 Mobility’s H.264 standard essential patents and (2) whether Google had any factual basis for
 21 asserting that Motorola Mobility’s H.264 standard essential patents are worth more than the
 22 rate that is presumed reasonable under the Google License.

23
 24

25 ¹ An “Affiliate” under Google’s pool license includes companies that are under its “control,” where control
 means, in most circumstances, at least 50% ownership of outstanding shares or otherwise a 50% ownership
 26 interest. Wion Decl. Ex. 7 § 1.1.

1 Google designated Allen Lo, its Deputy General Counsel for Patents and Patent
 2 Litigation, to testify for Google. Wion Decl. Ex. 8 (Lo Dep.) at 7:17–25, 11:10–12:24. Rather
 3 than provide the relevant facts, however, Google asserted privilege to block any substantive
 4 inquiry into the key questions. For example, Google invoked privilege to block Microsoft’s
 5 inquiry into any factual bases that Google has for trying to withhold from Microsoft the
 6 required license of Motorola Mobility’s H.264 standard essential patents (*id.* at 49:15–50:6,
 7 61:18–62:21) and invoked privilege to block Microsoft’s inquiry to determine whether Google
 8 had any factual basis for asserting that Motorola Mobility’s H.264 standard essential patents
 9 are worth more than the rate that is presumed reasonable under the Google License (*id.* at
 10 75:18–78:10).

11 Motorola should be precluded from presenting evidence on matters about which
 12 Microsoft was prevented from inquiring during discovery based upon claims of privilege. It is
 13 fundamental that the “privilege which protects attorney-client communications may not be
 14 used both as a sword and a shield.” *Columbia Pictures Indust., Inc. v. Krypton Broadcasting,*
 15 *Inc.*, 259 F.3d 1186, 1196 (9th Cir. 2001) (internal quotation omitted). “A privilege-holder
 16 ‘may elect to withhold or disclose, but after a certain point his election must remain final.’”
 17 *Turner v. University of Washington*, No. C05-1575RSL, 2007 U.S. Dist. Lexis 78281 at *3–4
 18 (W.D. Wash. Oct. 10, 2007), quoting *Weil v. Investment / Indicators, Research and Mgmt.,*
 19 *Inc.*, 647 F.2d 18, 24 (9th Cir. 1981). Thus, it is appropriate to “exclude[] material that was
 20 withheld in discovery based on a claim of attorney-client privilege or the work product
 21 doctrine,” *see id.*, including particularly where a party is precluded from inquiry at depositions
 22 as a result of privilege instructions. *See Allan Block Corp. v. County Materials Corp.*, No. 05-
 23 2879, 2009 U.S. Dist. Lexis 57475, at *42–43 (D. Minn. July 6, 2009); *Galaxy Computer*
 24 *Svcs., Inc. v. Baker*, 352 B.R. 544, 559 (Bankr. E.D. Va. 2005); *Engineered Prods. Co. v.*
 25 *Donaldson Co.*, 313 F. Supp. 2d 951, 1022–23 (N.D. Iowa 2004). Moreover, “[a]s a matter of

1 fundamental fairness, it typically would not matter whether the evidence at trial is offered
 2 through the party deposed or through another source.” *Alamar Ranch, LLC v. County of Boise*,
 3 No. 1:09-cv-004, 2010 U.S. Dist. Lexis 128572 at *3–4 (D. Idaho Dec. 4, 2010).

4 This general rule applies with particular force here where Motorola’s experts expressly
 5 rely on private conversations with Motorola employees who were instructed not to answer
 6 Microsoft’s questions on the same topics. *See, e.g.*, Wion Decl. Ex. 5 (Smith Rebuttal Rpt.)
 7 ¶ 52; Wion Decl. Ex. 6 (Dansky Dep.) at 55:14–57:12, 155:18–156:20. The experts should not
 8 be permitted to opine based even in part on information Microsoft was denied under claim of
 9 privilege. Accordingly, Motorola should be precluded from presenting evidence on the
 10 subjects over which it or its corporate parent, Google, claimed privilege during the depositions
 11 in this matter, including: (1) Motorola’s reasons for not participating in certain pools, including
 12 the MPEG LA H.264 pool; (2) any factual bases for asserting that Microsoft is not entitled to a
 13 license of Motorola Mobility’s H.264 standard essential patents as required pursuant to the
 14 Google License; and (3) any factual bases for asserting that Motorola Mobility’s H.264
 15 standard essential patents are worth more than the rate that is presumed reasonable in the
 16 Google License.

17 **MIL No. 2: Exclude Evidence of or Reliance on Patent Licenses That Are Not
 18 Comparable.**

19 Based upon Fed. R. Evid. 401, Microsoft moves *in limine* to exclude references to
 20 Motorola’s licenses for its portfolio of cellular telephone network standard essential patents,
 21 because these licenses do not provide a reliable benchmark for the value of its 802.11 and
 22 H.264 standard essential patent portfolios and are therefore irrelevant.²

23 ² This motion does not apply to the [REDACTED]—which involves Motorola’s 802.11 and H.264
 24 standard essential patent portfolios, but not its cellular telephone network standard essential patent portfolio.
 25 Reliance on the [REDACTED] would be error for other reasons, including its economic insignificance
 ([REDACTED]) and its suspicious timing (it was conveniently
 negotiated by Motorola after the commencement of this litigation). But resolution of such issues is not the subject
 of this motion.

1 Motorola relies heavily on portfolio licenses including patents essential to various
 2 cellular standards, for use in cellular implementations, in arriving at its asserted RAND royalty.
 3 Given the different standards, different universe of patents, and restrictions to cellular
 4 products, these are plainly *not* licenses to the set of patents at issue here and do not otherwise
 5 reflect the value of the H.264 or 802.11 essential patents. The threshold requirement for
 6 admissibility of other licenses is that they be comparable. As explained recently by the Federal
 7 Circuit, “[w]hen relying on licenses to prove a reasonable royalty, alleging a loose or vague
 8 comparability between different technologies or licenses does not suffice.” *LaserDynamics, Inc. v. Quanta Computer, Inc.*, -- F.3d --, Nos. 2011-1440, 2011-1470, 2012 WL 3758093, at *23 (Fed. Cir. Aug. 30, 2012). There is no basis on which to conclude that these licenses are
 10 comparable to the licenses to which the RAND royalty at issue before the Court applies.
 11 Under well-established law governing the use of license agreements, they should be excluded
 12 along with arguments based on those licenses. See *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d
 14 860, 873 (Fed. Cir. 2010).

15 Some licenses between Motorola and [REDACTED]
 16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]

19 [REDACTED] ³ Wion Decl. Ex. 9 (Donohoe Rpt.) ¶¶ 69, 79.

20 Motorola’s experts have not proposed any way to isolate the value attributable to the 802.11 or
 21 H.264 patents from the value of the other patents in these licenses, or to apportion that value.
 22 Motorola’s Professor Schmalensee explained that [REDACTED]
 23 [REDACTED]
 24 [REDACTED]

25 [REDACTED]
 26 ³ Examples include licenses to [REDACTED].

1 [REDACTED] Wion Decl. Ex. 11 (Schmalensee Dep.) at 194:18–195:24. No Motorola
 2 expert attempted such an analysis. For these reasons, there is no basis for concluding that
 3 royalties from those licenses “reflect the economic value” of the 802.11 and H.264 patents, *see*
 4 *LaserDynamics*, 2012 WL 3758093, at *22, or that they provide any meaningful basis to value
 5 those patents.

6 Other licenses are to cellular patents only, for cellular implementations only.⁴ Motorola
 7 tries to justify its reliance on those licenses by arguing that a handful of the hundreds of
 8 cellular patents are supposedly also essential to 802.11. Its experts offer no way to isolate the
 9 value of the few 802.11 “overlap” patents from the value of the broad portfolios of patents that
 10 these licenses also cover,⁵ leaving no basis to conclude that they are valid comparables in
 11 assessing the royalty issue in this case. Moreover, even if such isolation had been attempted,
 12 the agreements [REDACTED]

13 [REDACTED]
 14 [REDACTED].
 15 The licenses on which Motorola relies to support its claimed RAND royalty grant
 16 vastly different bundles of rights from those at issue. The licenses themselves provide no
 17 indication of the economic value the parties attributed to Motorola’s 802.11 or H.264 patents,
 18 as opposed to its cellular patents. No Motorola expert even attempted that apportionment. *See*
 19 Wion Decl. Ex. 10 (Donohoe Dep.) at 14:15–15:1. Motorola offers no evidence reconciling
 20 the differences between cellular patents and 802.11 and H.264 patents, the differences between

21 ⁴ Examples include licenses to [REDACTED].

22 ⁵ Of the more than 50 U.S. patents identified by Motorola as essential to 802.11, only five have ever been
 23 identified by Motorola as essential to cellular standards. The ’712 patent is *not* essential to 802.11, as construed
 24 by the ITC and Judges Crabb and Posner. (*See* Dkt. No. 309-3 at 265–66.) The ’294 and ’193 patents were not
 25 analyzed by Motorola’s technical expert, so there is no evidence that they are actually essential to 802.11. The
 26 ’563 patent was not listed in any of the cellular licenses Motorola discusses in detail, leaving only the ’547 patent,
 listed in just three agreements. This single patent, called out nowhere as of any special significance in any of
 these licenses, cannot render any of these cellular licenses comparable to a license for Motorola’s 802.11
 patents—especially where the agreements limit the scope of the licenses granted to implementing the cellular
 standards. And Motorola has never argued any overlap between its cellular patents and its H.264 patents.

1 the products sold by cell phone manufacturers and those sold by Microsoft, or the importance
 2 of the different patent portfolios to those products. No Motorola expert has said, nor could
 3 they, that the benefit of a cell phone's capacity to connect with its cellular network is equal in
 4 value to an Xbox having Wi-Fi connectivity. *Id.* at 158:2–17. Because Motorola has provided
 5 no rational method for isolating the value of the 802.11 and H.264 patents in any of the
 6 licenses, they are inadmissible, as they are not probative of the economic value of the patents at
 7 issue.

8 The failure to establish comparability is especially acute because Motorola views its
 9 cellular standard-essential portfolios as [REDACTED], *see* Wion Decl. Ex.
 10 10 (Donohoe Dep.) at 98:17–99:2, but [REDACTED]
 11 [REDACTED]
 12 [REDACTED], but no Motorola expert even
 13 attempted to value the relative strength of Motorola's H.264 and 802.11 patents—and could
 14 not even state whether they [REDACTED]. *Id.*
 15 at 160:15–23 (802.11), 163:1–6 (H.264).

16 Here, the standards are different, the patents are different, and the strength of the
 17 Motorola patent portfolios is different. Because Motorola has failed even to attempt to account
 18 for these differences, the cellular-related licenses are inadmissible. *See ResQNet.com*, 594
 19 F.3d at 869 (“This court has long required district courts performing reasonable royalty
 20 calculations to exercise vigilance when considering past licenses to technologies other than the
 21 patent in suit.”); *id.* at 872 (“[Courts] must consider licenses that are commensurate with what
 22 the defendant has appropriated. If not, a prevailing plaintiff would be free to inflate the
 23 reasonable royalty analysis with conveniently selected licenses without an economic or other
 24 link to the technology in question.”); *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1329
 25 (Fed. Cir. 2009) (damages verdict “cannot stand solely on evidence which amounts to little

1 more than a recitation of royalty numbers, one of which is arguably in the ballpark of the jury's
 2 award, particularly when it is doubtful that the technology of those license agreements is in any
 3 way similar to the technology being litigated here").

4 Motorola may argue that the long-recognized principles barring the use of non-
 5 comparable licenses are not applicable in the context of determining a RAND royalty. But that
 6 argument would lack any support in precedent or economic policy. Worse, it would have the
 7 perverse effect of freeing a holder of essential patents, who has committed to licensing its
 8 standard-essential patents on reasonable and non-discriminatory terms, from the normal checks
 9 and restraints that prevent patent holders from overreaching in every other case. Allowing a
 10 holder of declared essential patents to justify exorbitant royalties by reference to non-
 11 comparable licenses cannot possibly be consistent with RAND. Motorola's prior cellular
 12 licenses should be excluded.

13 **MIL No. 3: Bar Motorola's Application of a Percentage Royalty to Revenues of
 14 Products Having Multiple Features and Components, Where the Motorola
 Patents Cannot Be Shown to Be the Basis for Consumer Demand.**

15 Microsoft moves *in limine* to bar Motorola from using either Microsoft product
 16 revenues (e.g., those from sales of the Xbox console, Windows OS, and Windows Phone 7 OS)
 17 or the revenues of Microsoft's hardware customers (e.g., revenues from sales of Dell-made
 18 Windows personal computers or Nokia-made Windows phones) as a royalty base for a RAND
 19 royalty.

20 In the context of determining reasonable royalties, the Federal Circuit has established
 21 the "entire market value rule," which bars the use of sales revenues of an accused product as a
 22 royalty base where the asserted patent claims cover a single feature of a complicated, multi-
 23 faceted product, unless the patentee proves that the patent-related feature is the basis for
 24 customer demand for the accused product:

25 [I]n any case involving multi-component products, patentees
 26 may not calculate damages based on sales of the entire product,

as opposed to the smallest salable patent-practicing unit, without showing that the demand for the entire product is attributable to the patented feature.

LaserDynamics, 2012 WL 3758093, at *12. See also *id.* at *11 (“[T]he entire market value rule acts as a check to ensure that the royalty damages being sought under 35 U.S.C. § 284 are in fact ‘reasonable’ in light of the technology at issue.”); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011); *Lucent*, 580 F.3d at 1336. No Motorola expert has even asserted, much less attempted to show, that the Motorola H.264 or 802.11 essential patents form the basis for consumer demand for Microsoft’s complex products. Therefore, Motorola’s experts violate the entire market value rule by calculating a supposedly RAND royalty by applying a percentage royalty rate to the total sales revenue of complex products having many features and components, such as Windows operating systems and Xbox consoles.

The entire market value rule is an essential restraint in arriving at a *reasonable* royalty in patent infringement actions involving multi-component, multi-featured products. *Uniloc*, 632 F.3d at 1312, 1318–21. Xbox and Windows are such products, but Motorola has not even tried to show that its patents form the basis of customer demand. *See, e.g.*, Wion Decl. Ex. 10 (Donohoe Dep.) at 198:10–200:18.⁶ Motorola’s experts claim that standard compliance provides particular value to Microsoft’s products or that compliance is required for those products to be competitive, but those contentions miss the mark for at least two reasons. First, such claims of value or competitive necessity are not evidence that compliance with the H.264 or 802.11 standards *forms the basis for customer demand* for products like the Xbox gaming console or the Windows operating system. Second, even if they were, the relevant inquiry is whether customer demand rests on *Motorola’s specific patents*, not the entire standard, and Motorola has come forward with no evidence of that. In *LaserDynamics*, the plaintiff sought

⁶ Michael Dansky, the Motorola expert who

(see Dkt. No. 398 Ex. 2 ¶¶ 171-72, 183-84)

(Dkt. No. 424 Ex. 6 105:24-106:5).

1 to base a reasonable royalty on the end price of laptop computers that incorporated optical disc
 2 drives ("ODDs") practicing a patented "disc discrimination" method. *See* 2012 WL 3758093,
 3 at *12. The Federal Circuit explained that arguments that the patents were important to the
 4 product or even necessary for commercial viability were insufficient to satisfy the predicate of
 5 the entire market value rule:

6 It is not enough to merely show that the disc discrimination method is viewed as
 7 valuable, important, or even essential to the use of the laptop computer. Nor is
 8 it enough to show that a laptop computer without an ODD practicing the disc
 9 discrimination method would be commercially unviable. Were this sufficient, a
 10 plethora of features of a laptop computer could be deemed to drive demand for
 11 the entire product. . . . But proof that consumers would not want a laptop
 12 computer without such features is not tantamount to proof that any one of those
 13 features alone drives the market for laptop computers. Put another way, if given
 14 a choice between two otherwise equivalent laptop computers, only one of which
 15 practices optical disc discrimination, proof that consumers would choose the
 16 laptop computer having the disc discrimination functionality says nothing as to
 17 whether the presence of that functionality is what motivates consumers to buy a
 18 laptop computer in the first place. It is this latter and higher degree of proof that
 19 must exist to support an entire market value rule theory.

20 *Id.*

21 Further, Motorola cannot ignore the Federal Circuit's entire market value rule
 22 precedent [REDACTED]

23 Wion Decl. Ex. 10 (Donohoe Dep.) at

24 195:1-196:18. "The Supreme Court and this court's precedents do not allow consideration of
 25 the entire market value of accused products for minor patent improvements simply by asserting
 26 a low enough royalty rate." *Uniloc*, 632 F.3d at 1320. There is no exception to the entire
 market value rule because it may be difficult to apportion the value of the patents to

Microsoft's complex products:

[I]f difficulty in precisely identifying the value of the [infringing feature] is
 what justifies using complete laptop computers as the royalty base, when it
 comes time to then apportion a royalty rate that accounts for the [infringing
 feature's] contribution only, the exceedingly difficult and error-prone task of
 discerning the [infringing component's] value relative to all other components
 in the laptop remains. . . . [W]e see no reason to establish a necessity-based
 exception to the entire market value rule.

1 *LaserDynamics*, 2012 WL 3758093, at *14; *see id.* at *13. Because Motorola has not, and
 2 cannot, satisfy the necessary legal predicate, Motorola should be precluded from introducing
 3 evidence or arguing that a RAND royalty here be based on a percentage royalty rate applied to
 4 the products compliant with the 802.11 and H.264 standards.

5 Motorola may also try to argue that the entire market value rule does not apply to
 6 determining a RAND royalty. The rule is based on the inherent need to establish whether a
 7 particular technology creates market value. There is no rational basis to discard a restraint that
 8 protects against overreaching where the inquiry is whether royalty for a standard essential
 9 patent is “reasonable.” Allowing a holder of declared-essential patents to be paid for features
 10 in complex products that are not valued by the market for the relevant product cannot possibly
 11 be consistent with RAND licensing. Motorola should be barred from asserting end-product
 12 sales revenues as a base for any RAND royalty.

13 **MIL No. 4: Exclude Settlement Communications.**

14 Pursuant to Federal Rule of Evidence 408 and the parties’ nondisclosure agreement,
 15 Microsoft moves *in limine* to exclude references to communications by either party during
 16 settlement discussions, as well as general references to whether either party negotiated at all or
 17 negotiated in good faith.

18 From time to time over the last two years, Microsoft and Motorola have engaged in
 19 settlement discussions concerning the licensing of products under the 802.11 Wi-Fi and H.264
 20 video compression standards. But neither what was said during those settlement negotiations
 21 nor the fact that such negotiations took place is admissible both because of the restrictions of
 22 Rule 408 and because of the parties’ contractual commitments in a nondisclosure agreement.

23 Evidence of “conduct or statements made in compromise negotiations regarding the
 24 claim is not admissible on behalf of any party, when offered to prove liability for, invalidity of,
 25 or amount of a claim that was disputed as to validity or amount, or to impeach through a prior

1 inconsistent statement or conclusion.” Fed. R. Evid. 408(a)(2). Rule 408 is designed to further
 2 the public policy in favor of encouraging settlement. Admitting settlement communications
 3 into evidence would strongly discourage parties from participating in settlement negotiations.
 4 See, e.g., *Hudspeth v. C.I.R.*, 914 F.2d 1207, 1213 (9th Cir. 1990) (discussing the Rule 408
 5 public policy interest in encouraging settlement); *United States v. Contra Costa County Water*
 6 *Dist.*, 678 F.2d 90, 92 (9th Cir. 1990) (“By preventing settlement negotiations from being
 7 admitted as evidence, full and open disclosure is encouraged, thereby furthering the policy
 8 toward settlement”); *Kriedler v. Pixler*, No. C06-0697RSL, 2010 WL 1537068, at *1 (W.D.
 9 Wash. Apr. 15, 2010) (excluding by agreement offers of settlement and related issues under
 10 Fed. R. Evid. 408); *Brees v. Jefferson Cty.*, No. C07-5000, 2008 WL 336787, at *1 (W.D.
 11 Wash. Feb. 5, 2008) (granting motion to exclude “settlement offers, demands, negotiations or
 12 discussions under Rule 408”). In addition, courts repeatedly have recognized that settlement
 13 negotiations are not reliable evidence of the amount of a claim or purported damages. See
 14 *LaserDynamics*, 2012 WL 3758093, at *20 (collecting cases concerning “admission of
 15 settlement offers and negotiations” that support “[t]he notion that license fees that are tainted
 16 by the coercive environment of patent litigation are unsuitable to prove a reasonable royalty”);
 17 see also *Hanson v. Alpine Valley Ski Area*, 718 F.2d 1075, 1079 (Fed. Cir. 1983) (“[L]icense
 18 fees negotiated in the face of a threat of high litigation costs . . . should not be considered
 19 evidence of an established royalty.”) (quotation marks omitted).

20 Here the parties are also contractually barred from offering such communications into
 21 evidence. In November of 2010, the parties signed a nondisclosure agreement (the “NDA”) to
 22 enable Microsoft and Motorola to [REDACTED]

23 Wion Decl. Ex. 12 (Nondisclosure Agreement) at 1. The NDA provides that
 24 [REDACTED]
 25 [REDACTED]

9 [REDACTED] *Id.* ¶ 3.

10 Motorola has already breached the NDA by [REDACTED]

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED] Wion Decl.

16 Ex. 9 (Donohoe Rpt.) ¶¶ 44–45, 47, 181. During trial, references to the parties' settlement
17 negotiations should be strictly off limits.

18 **MIL No. 5: Exclude Any Assertion or Testimony That the '514 Ghandi Patent or the
19 '317 Mathew Patent Is Essential to the 802.11 Standard.**

20 Pursuant to Federal Rule of Civil Procedure 37, Microsoft moves to exclude any
evidence or testimony concerning U.S. Patents 6,836,514 (Gandhi) and 6,807,317 (Mathew)—
21 in particular, any assertion that these patents are essential, because Motorola did not timely
disclose such a contention in response to interrogatories specifically seeking such information,
22 and when it did provide an expert report asserting that the '514 patent is essential, it failed to
23 provide an adequate disclosure of the basis for the opinion.
24

1 On June 18, 2012, Microsoft served an interrogatory asking Motorola to identify each
 2 patent Motorola contends is essential to implement the H.264 or 802.11 standard and what
 3 portion of the standard(s) to which each such patent relates. Wion Decl. Ex. 13 (Microsoft's
 4 Third Set of Interrogatories) No. 16. On July 18, 2012, Motorola responded, narrowing the
 5 large number of patents from the group that Motorola had identified before the litigation in its
 6 October 2010 offer letter to Microsoft and limiting the number of allegedly essential H.264
 7 patents to U.S. patents. Motorola excluded the '514 and '317 patents from those it contended
 8 were essential to the H.264 standard. In reliance on the interrogatory response, Microsoft's
 9 expert prepared his initial expert report concerning H.264 and did not analyze the '514 and
 10 '317 patents.

11 Despite the interrogatory response, Motorola served an opening expert report from
 12 Timothy Drabik that [REDACTED]

13 [REDACTED]
 14 [REDACTED] Wion Decl. Ex. 15 (Drabik Rpt.) ¶¶ 260, 266 n. 6. Nowhere in his report (or
 15 in his subsequent reports) did he [REDACTED]
 16 and he should not be permitted to offer such testimony at trial.

17 As for the '514 patent, Drabik did opine, [REDACTED]

18 [REDACTED] Wion Decl. Ex. 15 (Drabik Rpt.) ¶ 260. For the critical third
 19 limitation of claim 69 (the only claim analyzed), however, Drabik [REDACTED]
 20 [REDACTED]
 21 [REDACTED]

22 See Wion Decl. Ex. 15 (Drabik Rpt.) ¶ 263. Drabik provided no explanation of any kind why
 23 [REDACTED]

24 [REDACTED] Drabik's report and its vague citation are insufficient disclosures to
 25 support any testimony at trial that the '514 patent is essential to the H.264 standard. *See* Fed.
 26

1 R. Civ. P. 26(a)(2)(B)(i) (expert disclosures must contain “a complete statement of all opinions
 2 the witness will express and the basis and reasons for them”); *Reed v. Binder*, 165 F.R.D. 424,
 3 429 (D.N.J. 1996) (expert reports must be “detailed” and “complete”). And Drabik’s
 4 conclusory opinion is otherwise inadmissible expert testimony because [REDACTED]

5 [REDACTED] “only by the *ipse dixit* of the expert.” *General Elec. Co. v.*
 6 *Joiner*, 522 U.S. 136, 146 (1997); *see Wendler & Ezra, P.C. v. Am. Intern. Group, Inc.*, 521
 7 F.3d 790, 791 (7th Cir. 2008) (per curiam).

8 On August 17, 2012, nearly a month after the close of fact discovery, Motorola
 9 purported to supplement its interrogatory response to incorporate by reference the more than
 10 250 pages of Drabik’s various expert reports. *See* Wion Decl. Ex. 16 (Motorola
 11 Supplementary Response) at 14. Microsoft had relied on Motorola’s interrogatory responses
 12 and did not address these two patents in its opening expert reports, and, although Microsoft’s
 13 expert Dr. Michael Orchard discussed the ’514 patent in his rebuttal report, given the failure of
 14 Motorola to identify the relevant portions of the standard [REDACTED]

15 [REDACTED], Dr. Orchard has not been able to respond fully to arguments about the
 16 supposed essentiality of the ’514 patent that Motorola might try to advance for the first time at
 17 trial.

18 Under Federal Rule 26(e), a party is required to supplement its discovery responses “in
 19 a timely manner if the party learns in some material respect the disclosure or response is
 20 materially incomplete.” Fed. R. Civ. P. 26(e)(1)(A). Rule 37 provides that if a party fails to
 21 make the requisite supplementation, it “is not allowed to use that information or witness to
 22 supply evidence on a motion, hearing, or at trial, unless the failure was substantially justified or
 23 is harmless.” Fed. R. Civ. P. 37(c)(1). *See also Mealing v. City of Ridgefield*, No. C05-
 24 5778FDB, 2007 WL 1367603, at *1 (W.D. Wash. May 8, 2007) (Rule 37 is self-executing “in
 25 order to produce a strong inducement for disclosure”); *Watkins v. Vestil Mfg. Corp.*, No. 2:07-

1 CV-0152-RWS, 2010 WL 883754, at *6 (N.D. Ga. Mar. 5, 2010) (disclosure of an asserted
 2 defense through the submission of an expert report and other documents was not sufficient
 3 under Rule 37 to avoid an exclusion order; party was required to disclose the defense in its
 4 response to written discovery requests).

5 Because Motorola did not timely supplement its interrogatory response in any adequate
 6 or meaningful way and because Drabik has provided [REDACTED]

7 [REDACTED], no testimony that the '514
 8 patent is essential to the H.264 standard should be permitted at trial. Microsoft assumes that no
 9 opinion will be offered as to the '317 patent, but moves for exclusion of testimony as to its
 10 essentiality as a precaution.

11 **MIL No. 6: Exclude Testimony by Motorola's Expert Dr. Timothy Drabik Concerning
 12 Bitrate Improvements Attributable To Motorola's Patents Not Set Forth In
 His Expert Report.**

13 Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), Microsoft moves *in limine* to
 14 bar any testimony from Motorola's technical expert on H.264 video coding technology, Dr.
 15 Timothy Drabik, quantifying any improvements in bitrate allegedly attributable to Motorola's
 16 patents over certain alternatives because those quantifications were not disclosed in Drabik's
 17 expert reports.

18 One of the issues in connection with Motorola's H.264 standard essential patents is
 19 whether the Motorola patents permitted the H.264 standard to achieve improvements in video,
 20 or "bitrate." Drabik should not be permitted to testify about supposed quantifiable bitrate
 21 improvements due to Motorola patents where the opinions are not set out in his expert reports.
 22 Fed. R. Civ. P. 26(a)(2)(B)(i) (expert disclosures must contain "a complete statement of all
 23 opinions the witness will express and the basis and reasons for them"); *Bess v. Cate*, 422 Fed.
 24 Appx. 569, 571–72 (9th Cir. 2011) (affirming strike of expert declaration that exceeded the
 25
 26

1 scope of the expert report); *Estate of Bojcic v. City of San Jose*, 358 Fed. Appx. 906, 907–08
2 (9th Cir. 2009) (same).

3 At his deposition, Drabik was asked [REDACTED]

5 [REDACTED] See Wion Decl. Ex. 14 (Drabik Dep.) at 99:17–103:2

6 [REDACTED]); *id.* at 114:16–117:5 ([REDACTED]

7 [REDACTED]); *id.* at 109:9–109:15 ([REDACTED]

8 [REDACTED]); *id.* at 89:10–22 ([REDACTED]

9 [REDACTED]); 121:23–122:12 ([REDACTED]); 119:23–120:7 ([REDACTED]).

10 Drabik should be precluded from offering testimony quantifying the alleged bitrate savings of
11 these technologies over any alternative.

12 Drabik also asserted that [REDACTED]

13 [REDACTED]. See, e.g., Wion

14 Decl. Ex. 14 (Drabik Dep.) at 120:2–7 [REDACTED]

15 [REDACTED]; see also Drabik

16 Dep. Tr. at 116:7–14, 116:21—117:5, 122:16—18. But his expert reports cite hundreds of
17 documents. See Wion Decl. Ex. 15 (Drabik Rpt.) Tab B (31-page listing of materials
18 considered). Drabik should not be allowed to testify to percentage bitrate savings not set forth
19 in the body of his report. See *Reed*, 165 F.R.D. at 429 (expert reports must be “detailed” and
20 “complete”); *Smith v. State Farm Fire and Cas. Co.*, 164 F.R.D. 49, 53–54 (S.D. W. Va. 1995)
21 (rejecting as insufficient under Rule 26 expert reports that “refer to massive amounts of
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

1 documents as the basis for the opinions which are expressed in vague terms, with few specific
2 references.”).

3 DATED this 4th day of October, 2012.

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CERTIFICATE OF SERVICE

I, Linda Bledsoe, swear under penalty of perjury under the laws of the State of Washington to the following:

1. I am over the age of 21 and not a party to this action.
 2. On the 4th day of October, 2012, I caused the preceding document to be served

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7 s/ Linda Bledsoe
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